

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name International Academy of Flint, PSA		County Genesee	
Fiscal Year End June 30, 2007		Opinion Date September 18, 2007		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

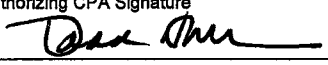
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	Not required.	
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Control and Compliance and A-133 Report	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC			Telephone Number 810-767-5350	
Street Address 111 East Court Street, Suite 1A			City Flint	State MI
Authorizing CPA Signature 			Printed Name Tadd Harburn	License Number 1101014134

International Academy of Flint, PSA

Flint, Michigan

**Financial Report
with Supplemental Information**

June 30, 2007

International Academy of Flint, PSA
June 30, 2007

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Independent Auditors' Report

Board of Education
International Academy of Flint, PSA
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise International Academy of Flint, PSA basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2007 on our consideration of the Academy's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

September 18, 2007

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of International Academy of Flint's (IAF) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2007.

FINANCIAL HIGHLIGHTS

- The Academy's total net assets decreased approximately nine percent (9%) over the course of the year.
- Overall revenues were \$7.8 million, \$58,306 less than expenses.
- Revenues increased fifteen percent (15.0 %) to \$7.8 million while expenses increased seventeen percent (17.0%) to \$7.8 million.
- Enrollment increased sixteen percent (16%) to 834 students.
- The Academy has no outstanding long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular education and school services (including the lunch program) were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information and other supplemental information* that further explains and supports the financial statements. The required supplementary introduction includes with a comparison of the Academy's budget for the year.

The following chart summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain:

Major Features of Academy-wide and Fund Financial Statements

Scope	Academy-wide Statements	Fund Financial Statements
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resources Focus	Modified Accrual Accounting and Current Financial Resources Focus
Type of Asset/Liability Information	All Assets and Liabilities, both Financial and Capital, Short-term and Long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of Inflow/Outflow Information	All Revenues and Expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

ACADEMY-WIDE STATEMENTS

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities – are one way to measure the Academy's financial health or *position*.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the condition of the schools buildings.

In the Academy-wide financial statements, the Academy's activities:

- *Governmental activities* – All of the Academy's basic services are included here including regular and special education, administration, and building operations, as well as community activities. State formula aid and federal funding finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's *funds*, focusing on its most significant or "major" funds – not the Academy as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying long-term debt) or to show that it is properly using certain revenues (like school lunch).

The Academy may have two kinds of funds:

- *Governmental funds* – All of the International Academy of Flint's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information along with the governmental funds statements which explain the relationship (or differences) between them.
- *Fiduciary funds* – At present the Academy does not have any fiduciary funds. However, if the Academy were the trustee, or fiduciary, for assets that belonged to others (such as scholarship funds or student activities funds) these assets would be reported in the fiduciary fund. The Academy would be responsible for ensuring that any assets reported in these funds were used exclusively for their intended purposes and by those to whom the assets belong. Such assets are excluded from the Academy-wide financial statements because they cannot be used to finance Academy operations.

FINANCIAL ANALYSIS OF THE ACADEMY-WIDE RESULTS

Net assets – The Academy's total net assets decreased by more than nine percent (9%) from the prior year, from \$632,270 to \$573,964.

The Academy's financial position is the product of many factors. Expenses related to the property acquisitions during the year was a significant contributor to the decrease in net assets.

The following charts represent the Academy's net assets and changes in net assets:

Net Assets

	<u>As of June 30, 2006</u>	<u>As of June 30, 2007</u>
Cash and equivalents	\$ 588,892	\$ 378,360
Due from other governments	1,217,555	1,306,317
Other assets	7,200	7,508
Capital assets	<u>-</u>	<u>124,321</u>
Total assets	1,813,647	1,816,506
Accounts payable	<u>1,181,377</u>	<u>1,242,542</u>
Net assets:		
Invested in capital assets - net	-	124,321
Unrestricted	<u>632,270</u>	<u>449,643</u>
	<u>\$ 632,270</u>	<u>\$ 573,964</u>

Changes in Net Assets

	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>
General Revenues		
State of Michigan aid, unrestricted	\$5,099,473	\$6,085,883
Interest earnings	9,363	10,991
Other	<u>47,662</u>	<u>76,504</u>
	<u>5,156,498</u>	<u>6,173,378</u>
Program Revenue		
Operating Grants-federal and state	<u>1,621,535</u>	<u>1,627,690</u>
Total Revenues	<u>6,778,033</u>	<u>7,801,068</u>
Expenses		
Instruction	2,851,182	3,351,518
Support services	3,015,095	3,796,427
Community services	677,005	467,952
Food services	<u>189,097</u>	<u>243,477</u>
Total expenses	<u>6,732,379</u>	<u>7,859,374</u>
Change in net assets	<u>\$ 45,654</u>	<u>\$ (58,306)</u>

Academy Governmental Activities

The continued good health of the Academy's finances can be credited to a stable enrollment, ambitious grant seeking, and effective budget administration.

- The Academy's per pupil foundation was \$7,385 compared to \$7,175 in FY 2006.
- Legal fees were \$64,227 for the year.
- 21ST Century Community Learning Center Funding provided federal funds for the ongoing operation of the Academy before and after school.
- Title I funding and 31a funding helped finance the additional instruction and support services for the large population of at-risk students.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The financial performance of the Academy as a whole is reflected primarily in its governmental funds. As the Academy completed the year, its governmental funds reported combined fund balances of \$449,643; \$182,627 below last year's ending fund balance of \$632,270.

The General Fund of the Academy had more expenditures than revenues in 2007, thereby, causing the decrease in total fund balance. The School Service Fund (that records the school lunch program) recorded a fund balance of \$-0-.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget once. This budget amendment was based on:

- Changes made in May 2007 to reflect the updated award of funds from the state and various grants sources, as well as for the purchases of land, and aligned the budget with the object level detail required by Bulletin 1022.

While the Academy's final budget for the general fund anticipated that expenditures would exceed revenues by \$594,900, the actual results for the year show a \$182,627 deficit.

- Actual revenues were \$29,187 higher than expected, due largely to the increase in funding from local sources.

The actual expenditures were \$412,273 below budget, due largely to expenses related to the building purchase being delayed to the 2007-2008 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Board of Directors of the Academy has adopted a \$5,000 threshold for the capitalization of assets. Purchases of six pieces of land have been made that exceed this threshold, therefore, a total of \$124,321 was capitalized as land for the Academy-wide financial reporting purposes.

The Academy leases its facilities (two buildings). The leases are classified as operating leases.

Long-term Debt

At June 30, 2007 the Academy had no long-term debt.

FACTORS BEARING ON THE ACADEMY'S FUTURE

At the time these financial statements were prepared and audited, the Academy was aware of three circumstances that could significantly affect its financial health in the future:

- The Academy anticipates the purchase of the main building for which it is currently leasing. It also anticipates the issuance of a bond to pay for the acquisition costs of the building and related construction costs. The Academy will need to ensure that it accounts for these items properly.
- The student enrollment is expected to continue to grow. The Academy will need to ensure that it budgets appropriately in order to continue to provide services for an increasing student body that is not fully funded.
- The Academy has contracted with an educational service provider. That contract stipulates that when the Academy Board has established a \$500,000 fund equity the amount of per pupil foundation that shall be utilized for costs of instruction, support services and operations shall be 97% of the funding. This limits the Academy Board's ability to continue to grow the fund equity.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Board Liaison Officer, International Academy of Flint, 2820 S. Saginaw Street, Flint, MI 48503.

Basic Financial Statements

International Academy of Flint, PSA
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 378,360
Due from other governments	1,306,317
Prepaid items	7,508
Capital assets - Land (Note 4)	<u>124,321</u>
 Total assets	 <u>1,816,506</u>
 Liabilities	
Accounts payable	<u>1,242,542</u>
 Net Assets	
Investment in capital assets - Net of debt	124,321
Unrestricted	<u>449,643</u>
	<u><u>\$ 573,964</u></u>

See notes to financial statements.

International Academy of Flint, PSA
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:			
Instruction	\$ 3,351,518	\$ 920,789	\$ (2,430,729)
Support services	3,796,427	-	(3,796,427)
Food services	243,477	243,283	(194)
Community services	467,952	463,618	(4,334)
Total Governmental activities	<u><u>\$ 7,859,374</u></u>	<u><u>\$ 1,627,690</u></u>	(6,231,684)
		General Revenues:	
		State of Michigan aid, unrestricted	6,085,883
		Interest earnings	10,991
		Other	<u>76,504</u>
		Total general revenues	<u>6,173,378</u>
		Change in Net Assets	(58,306)
		Net Assets - Beginning of year	<u>632,270</u>
		Net Assets - End of year	<u><u>\$ 573,964</u></u>

See notes to financial statements.

International Academy of Flint, PSA
Governmental Funds
Balance Sheet
June 30, 2007

	Governmental Fund Types		
	General	Non-Major Special Revenue Fund Food Service	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 378,274	\$ 86	\$ 378,360
Due from other governments	1,291,987	14,330	1,306,317
Due from other funds	-	194	194
Prepaid items and other	7,508	-	7,508
Total assets	<u>\$ 1,677,769</u>	<u>\$ 14,610</u>	<u>\$ 1,692,379</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,227,932	\$ 14,610	\$ 1,242,542
Due to other funds	194	-	194
Total liabilities	<u>1,228,126</u>	<u>14,610</u>	<u>1,242,736</u>
Fund balances:			
Reserved for prepaid items	7,508	-	7,508
Fund balance - Unreserved, undesignated	442,135	-	442,135
Total fund balance	<u>449,643</u>	<u>-</u>	<u>449,643</u>
Total liabilities and fund balances	<u>\$ 1,677,769</u>	<u>\$ 14,610</u>	<u>\$ 1,692,379</u>

See notes to financial statements.

International Academy of Flint
Reconciliation of the Balance Sheet to the Statement of Net Assets
Year Ended June 30, 2007

Fund balances reported on governmental funds	\$449,643
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds	<u>124,321</u>
Net assets – Governmental activities	<u><u>\$573,964</u></u>

**International Academy of Flint, PSA
Governmental Funds
Statement of Revenue, Expenditures and
Changes in Fund Balances
For the year ended June 30, 2007**

	Governmental Fund Types		
	General	Special Revenue Fund Food Service	Total Governmental Funds
Revenues			
Local sources	\$ 87,495	\$ -	\$ 87,495
State sources	6,457,615	7,299	6,464,914
Federal sources	1,012,675	235,984	1,248,659
Total revenues	7,557,785	243,283	7,801,068
Expenditures			
Current:			
Instruction	3,351,518	-	3,351,518
Support services	3,920,748	-	3,920,748
Food services	-	243,477	243,477
Community services	467,952	-	467,952
Total expenditures	7,740,218	243,477	7,983,695
Excess of revenue over (under) expenditures	(182,433)	(194)	(182,627)
Other financing sources (uses) - Transfers	(194)	194	-
Net change in fund balances	(182,627)	-	(182,627)
Fund Balances - Beginning of year	632,270	-	632,270
Fund Balances - End of year	\$ 449,643	\$ - 0 -	\$ 449,643

International Academy of Flint
Reconciliation of Statement of Revenue, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2007

Net change in fund balances – Total governmental funds	\$(182,627)
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Governmental funds report capital outlays as expenditures. However, in the statements of activities, these costs are allocated over then estimated useful lives as depreciation:

Capital outlay	<u>124,321</u>
Change in net assets – Statement of activities	<u><u>\$ (58,306)</u></u>

Notes to Financial Statements

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies

The accounting policies of the International Academy of Flint, PSA (the Academy) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

Organization:

International Academy of Flint, PSA, ("the Academy") is a body corporate and governmental entity organized under the Michigan School Code of 1976 as amended. It is organized and operates as a public school academy eligible to receive state school aid. The Academy received its initial charter approval from Central Michigan University (CMU) on August 17, 1999.

Contract with the Management Company:

The Academy Board entered into a contract on August 10, 1999 with Flint Education Management, LLC (a company owned by SABIS Educational Systems, Inc.). Under the agreement, Flint Education Management, LLC (FEM) manages and operates the Academy. When the Academy's Fund Balance is greater than \$500,000, FEM receives 97 percent rather than 95 percent of the state school aid received by the Academy after a 3% administration fee is deducted by CMU. FEM is responsible for reporting to the Academy's Board, the expenditures made in accordance with the budget adopted by the Board. FEM retains any management fees in excess of expenditures and the Academy is not liable to fund any deficits incurred by FEM. Expenditures made by FEM are reported as "purchased services" in the Academy's statement of revenues, expenditures and changes in fund balance. The expenditures are categorized according to function as defined by State Educational guidelines. The main facility, located at 2820 S. Saginaw Street, is owned by Flint Property Management, LLC (a company owned by SABIS Educational Systems, Inc.) and leased to the Academy.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate, component units of the Academy. Based on the application of the criteria, the Academy does not contain any component units.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by state aid and other intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State aid, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies – (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds (the “General Fund”) are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide statements:

The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund based statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

The General Fund is the Academy’s primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of the food service activity from regular revenue and expenditure accounts. The Academy maintains full control of this fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments:

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of twelve-months or less when acquired. Investments, when held, are stated at fair value.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies – (continued)

Assets, Liabilities, and Net Assets or Equity– (continued)

Receivables:

All receivables are shown net of an allowance for uncollectible amounts. Management has determined that all receivables are collectible as of June 30, 2007. Therefore, no allowance for uncollectible amounts is recorded.

The State of Michigan utilized a foundation allowance approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Prepaid items:

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital assets:

Capital assets, such as land, buildings, equipment, and vehicles, generally are reported in the applicable governmental column in Academy-wide financial statements, when applicable. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Compensated absences:

The liability for compensated absences is reported in the Academy-wide statements. The Academy has only one employee for which there is no compensated absences due at June 30, 2007.

Long-term obligations:

In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets, when present. The Academy has no long-term obligations at June 30, 2007.

Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if applicable, of fund balance represent tentative management plans that are subject to change.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies – (continued)

Assets, Liabilities, and Net Assets or Equity– (continued)

Comparative date:

Prior year comparative data is not included in the Academy's basic financial statements.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits the Academy to amend its budget during the year. During the year, the budget was amended in a legally permissible manner. There was one amendment during the year to reflect updated awards from the state and other governmental entities during the fiscal school year, as well as the purchase of land.

Excess of expenditures over appropriations in budgeted funds:

The Academy had expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Instruction:			
Basic programs	\$2,683,625	\$2,735,978	\$ (52,353)
Special education	347,772	355,068	(7,296)
Support services:			
Pupil guidance	333,154	427,334	(94,180)
Other instructional services	131,070	283,580	(152,510)
Executive administration	245,896	490,503	(244,607)
Business and facilities	1,401,152	1,436,493	(35,341)
Community service	463,618	467,952	(4,334)
Operating transfers out	-	194	(194)

The variance in the budget was due to the Academy receiving more revenue than anticipated. Expenditures were made in accordance with the additional resources.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

3. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes the Academy to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Academy has designated Citizens Bank for the deposit of its funds. The Academy's deposits and investment policies are in accordance with statutory authority.

At year-end, the Academy's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents (deposits and money market accounts)	<u>\$378,360</u>

The Academy's cash and cash equivalents are subject to custodial credit risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. At year end, the Academy had \$357,072 of bank deposits (checking and money market accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. No investments were held by the Academy at June 30, 2007.

4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets - Land	\$ -	\$124,321	\$ -	\$124,321

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

5. Defined Benefit Pension Plan and Postemployment Benefits

Plan Description:

The school District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, Michigan 48909-7671.

Funding Policy:

Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The Academy has adopted Governmental Accounting Standards Board (GASB) Statements No. 26 *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Plans*, and No. 27 *Accounting for Pensions by State and Local Governmental Employees*.

Regular retirement benefits are payable monthly for the lifetime of a retiree and equals 1½ % of a member's final average compensation. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the 5 school years immediately preceding the pension effective date. The early pension is computed in the same manner as a regular pension but permanently reduced by one-half of one percent for each month between the pension effective date and the date the member will attain age 60. MPERS also provides comprehensive group medical, hearing, dental, and vision insurance coverage for retirees and beneficiaries.

A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service; at age 60 with 10 years or more of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the 5 school fiscal years immediately preceding the pension effective date. A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. There is no mandatory retirement age.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contributes at a permanently fixed rate of 3.9% of gross wages. After December 31, 1989, membership in MIP is mandatory and members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Academy forwarded \$1,786 of MIP contributions withheld from employees during the year ended June 30, 2007.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

5. Defined Benefit Pension Plan and Postemployment Benefits – (continued)

Each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care premium amounts on a cash disbursement basis. For the year ended June 30, 2007, the Academy was required to pay 16.34% of eligible employees' compensation from July 1, 2006 through September 30, 2006 and 17.74% of eligible employees' compensation from October 1, 2006 through June 30, 2007. The contributions made by the Academy amounted to \$7,821, \$6,906, and \$5,999, for the years ended June 30, 2007, 2006, and 2005, respectively. All contributions made were equal to required contributions by the MPSERS.

The Academy's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2006 comprehensive annual financial report.

Post-employment benefits. Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premiums is paid by MPSERS, with the balance deducted from the monthly pension. Public Act 180 also authorized payments to employers as a one time \$174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan, and Hearing Plan coverage with the following exceptions:

- (1) Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
- (2) Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially paid health benefit coverage.

Dependents are eligible for 90% employer paid health coverage. During the year ended September 30, 2006, there were 157,163 eligible participants in the MPSERS that are eligible to receive benefits, of which, 119,462 and 126,828 are currently receiving health and dental/vision benefits, respectively. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were \$694,313,906 for the year ended September 30, 2006.

6. Contingencies

The Academy participates in various federally assisted programs. These programs are subject to compliance audits in accordance with the Single Audit Act. A single audit was performed for the year ended June 30, 2007 since the Academy expended more than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the Academy expects such amounts, if any, to be immaterial.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2007

7. Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employer injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage since inception.

8. Operating Leases

International Academy of Flint, PSA leases its facilities (two buildings) and copier equipment at monthly rates ranging from \$1,983 to \$81,821 during the year ended June 30, 2007. The facility leases end on July 25, 2008 and June 30, 2009. The copier equipment lease ends July 30, 2012. The financial obligation for the copier is paid by Flint Education Management, LLC, pursuant to the educational service provider agreement. The leases are classified as operating leases. Lease expense for the year ended June 30, 2007 totaled \$1,164,516.

The following is a schedule of future minimum rental payments required under the noncancelable operating leases:

2008	\$1,191,428
2009	1,017,651
2010	35,796
2011	35,796
2012	<u>2,981</u>
	<u>\$2,283,652</u>

9. Subsequent Event

Subsequent to year end, International Academy of Flint, PSA is in negotiations for the purchase of the main building that the Academy is currently leasing. Further, the Academy is in the process of finalizing a \$17.3 million bond issue to pay for the costs of the property purchase, as well as the costs to expand the facilities. The anticipated pricing for the bond is late September 2007.

Required Supplemental Information

International Academy of Flint, PSA
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

General Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local sources	\$ 42,433	\$ 55,377	\$ 87,495	\$ 32,118
State sources	5,972,600	6,467,905	6,457,615	(10,290)
Federal sources	545,833	1,005,316	1,012,675	7,359
Total revenues	6,560,866	7,528,598	7,557,785	29,187
Expenditures				
Current:				
Instruction:				
Basic programs	2,319,655	2,683,625	2,735,978	(52,353)
Added needs:				
Compensatory education	331,804	331,804	260,472	71,332
Special education	312,540	347,772	355,068	(7,296)
Total added needs	644,344	679,576	615,540	64,036
Total instruction	2,963,999	3,363,201	3,351,518	11,683
Support services:				
Pupil - Guidance services	314,208	333,154	427,334	(94,180)
Other instructional services	122,853	131,070	283,580	(152,510)
General administration - Board	111,600	573,647	169,292	404,355
Executive administration	174,739	245,896	490,503	(244,607)
School administration	988,215	952,414	534,442	417,972
Business and facilities	1,210,842	1,401,152	1,436,493	(35,341)
Operation and maintenance	650,032	659,346	579,104	80,242
Total support services	3,572,489	4,296,679	3,920,748	375,931
Community services - Purchased svcs.	-	463,618	467,952	(4,334)
Total expenditures	6,536,488	8,123,498	7,740,218	383,280
Excess (deficiency) of revenues over expenditures	24,378	(594,900)	(182,433)	412,467
Other financing uses - Transfers out	-	-	(194)	(194)
Budgetary Fund Balance - Beginning of year	632,270	632,270	632,270	-
Budgetary Fund Balance - End of year	\$ 656,648	\$ 37,370	\$ 449,643	\$ 412,273

Note - The budget is on the same basis as generally accepted accounting principles.

Other Supplemental Information

International Academy of Flint, PSA
Other Supplemental Information
General Fund
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Totals for the Year Ended June 30, 2006

	General Fund			
	2007 • Budget	2007 Actual	2007 Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Local sources:				
Act 18, miscellaneous local sources	\$ 47,377	\$ 76,504	\$ 29,127	\$ 47,662
Interest	8,000	10,991	2,991	9,363
Total local sources	55,377	87,495	32,118	57,025
State sources:				
State aid	6,085,810	6,085,883	73	5,099,473
Restricted - State pass through	382,095	371,732	(10,363)	354,062
Total state sources	6,467,905	6,457,615	(10,290)	5,453,535
Federal sources:				
Restricted - Federal pass through	115,016	110,528	(4,488)	116,694
Restricted - State pass through	884,216	896,063	11,847	870,035
Restricted - Federal direct	6,084	6,084	0	91,647
Total federal sources	1,005,316	1,012,675	7,359	1,078,376
Total revenues	<u>\$ 7,528,598</u>	<u>\$ 7,557,785</u>	<u>\$ 29,187</u>	<u>\$ 6,588,936</u>

International Academy of Flint, PSA
Other Supplemental Information
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Totals for the Year Ended June 30, 2006

	General Fund			2006 Actual
	2007 Budget	2007 Actual	2007 Variance Favorable (Unfavorable)	
Expenditures				
Instruction - Purchased services:				
Basic programs	\$ 2,683,625	\$ 2,735,978	\$ (52,353)	\$ 2,245,435
Added needs:				
Compensatory education	331,804	260,472	71,332	273,194
Special education	347,772	355,068	(7,296)	332,553
Total added needs	679,576	615,540	64,036	605,747
Total instruction	3,363,201	3,351,518	11,683	2,851,182
Support services:				
Instructional support - Purchased services:				
Pupil - Guidance services	333,154	427,334	(94,180)	365,070
Other instructional services	131,070	283,580	(152,510)	338,742
Total instructional support services	464,224	710,914	(246,690)	703,812
General administration - Board of Education:				
Board executive officer	58,000	55,697	2,303	52,897
Legal services	150,000	64,227	85,773	12,139
Audit services	10,000	10,525	(525)	8,000
Workshops and conferences	10,000	545	9,455	743
Printing and binding	3,500	-	3,500	1,072
Other	342,147	38,298	303,849	5,083
Total general administration	573,647	169,292	404,355	79,934
Executive administration	245,896	490,503	(244,607)	236,078
School administration - Purchased services	952,414	534,442	417,972	269,933
Business and facilities - Purchased services	1,401,152	1,436,493	(35,341)	1,196,701
Operation and maintenance - Purchased services	659,346	579,104	80,242	528,637
Total support services	4,296,679	3,920,748	375,931	3,015,095
Community services - Purchased services	463,618	467,952	(4,334)	677,005
Total expenditures	<u>\$ 8,123,498</u>	<u>\$ 7,740,218</u>	<u>\$ 383,280</u>	<u>\$ 6,543,282</u>

The budget information presented is in greater detail than the amended budget adopted.

**International Academy of Flint, PSA
Other Supplemental Information
Statement of Revenue, Expenditures
and Changes in Fund Balance- Budget and Actual
Non-Major Governmental Fund
Special Revenue Food Service Fund
For the Year Ended June 30, 2007**

		Special Revenue Fund		
		Food Service		
		Budget	Actual	Variance
Revenues				
	State sources	\$ -	\$ 7,299	\$ 7,299
	Federal sources	250,000	235,984	(14,016)
	Total revenues	250,000	243,283	(6,717)
Expenditures				
	School services activities -			
	Purchased services	250,000	243,477	6,523
	Total expenditures	250,000	243,477	6,523
	Excess of revenues (under) expenditures	-	(194)	(194)
Other Financing Sources				
	Transfers in	-	194	194
Fund Balance - Beginning of year		-	-	-
Fund Balance - End of year		\$ - 0 -	\$ - 0 -	\$ - 0 -

International Academy of Flint, PSA

**Federal Awards
Supplemental Information
June 30, 2007**

International Academy of Flint, PSA

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Independent Auditor's Report

To the Board of Directors
International Academy of Flint, PSA

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of and for the year ended June 30, 2007, which collectively comprise International Academy of Flint, PSA's basic financial statements, and have issued our report thereon dated September 18, 2007. Those basic financial statements are the responsibility of the management of International Academy of Flint, PSA. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of International Academy of Flint, PSA taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 18, 2007

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
International Academy of Flint, PSA

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of and for the year ended June 30, 2007, which collectively comprise International Academy of Flint, PSA's basic financial statements, and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of International Academy of Flint, PSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of International Academy of Flint, PSA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
International Academy of Flint, PSA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether International Academy of Flint, PSA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board, and state and federal government agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

September 18, 2007

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
International Academy of Flint, PSA

Compliance

We have audited the compliance of International Academy of Flint, PSA with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of International Academy of Flint, PSA are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of International Academy of Flint, PSA's management. Our responsibility is to express an opinion on International Academy of Flint, PSA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about International Academy of Flint, PSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on International Academy of Flint, PSA's compliance with those requirements.

In our opinion, International Academy of Flint, PSA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Board of Directors
International Academy of Flint, PSA

Internal Control Over Compliance

The management of International Academy of Flint, PSA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 5, 2007

International Academy of Flint, PSA

Program Title/Project Number/Subrecipient Name	CFDA Number	Agency Contract Project Number
U.S. Department of Education:		
Direct - Foreign Languages Assistance Program (05/06)	42.293B	T293B030220-05
Passed through the Michigan Department of Education:		
21st Century Community Learning Center:		
21st CCLC (06/07)-middle	84.287	062110 21st02-069
21st CCLC (06/07)-lower	84.287	072110 04-046
Total 21st Century Community Learning Center		
Title I:		
Title I A (06/07) Imp Basic Pro	84.010	071530-0607
Title I A (05/06) Imp Basic Pro	84.010	061530-0506
Total Title I		
Title II:		
Title IIA (06/07) Improve Tchr Q	84.367	070520-0607
Title IIA (05/06) Improve Tchr Q	84.367	060520-0506
Title IID Ed Tech (06/07)	84.318	074290-0607
Title IID Ed Tech (05/06)	84.318	064290-0506
Total Title II		
Title V:		
Title V (06/07) Innovative	84.298	070250-0607
Title V (05/06) Innovative	84.298	060250-0506
Total Title V		
Total U.S. Department of Education passed through the Michigan Department of Education		
Special Education Cluster:		
Passed through the Genesee Intermediate School District:		
IDEA Spec Ed flowthrough (06/07)	84.027	070450-0607
IDEA Spec Ed flowthrough (05/06)	84.027	060460-0506
Total IDEA - Special Ed Cluster		

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Approved Awards Amount	Accrued Revenue at June 30, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2007
\$ 91,990	\$ 23,049	\$ 29,133	\$ 6,084	\$ -
294,764	40,994	335,758	294,764	-
168,854	13,660	182,514	168,854	-
463,618	54,654	518,272	463,618	-
331,804	-	270,623	318,611	47,988
331,804	63,627	81,477	17,850	-
663,608	63,627	352,100	336,461	47,988
82,336	-	63,574	79,158	15,584
82,823	14,178	23,818	9,640	-
3,406	-	2,182	3,180	998
6,190	-	52	52	-
174,755	14,178	89,626	92,030	16,582
3,052	-	3,052	3,052	-
6,438	119	1,021	902	-
9,490	119	4,073	3,954	-
1,311,471	132,578	964,071	896,063	64,570
108,054	-	77,982	108,054	30,072
113,084	47,671	47,671	-	-
221,138	47,671	125,653	108,054	30,072

International Academy of Flint, PSA

Program Title/Project Number/Subrecipient Name	CFDA Number	Agency Contract Project Number
Special Education Cluster (Continued):		
Passed through the Genesee Intermediate School District (Continued):		
Safe and Drug-free (06/07)	84.186	072860-0506
Safe and Drug-free (05/06)	84.186	062860-0506
Transition Services (06/07)	84.027	070490-TS
Total Safe and Drug-free and Transition Services		
Total U.S. Department of Education passed through Genesee Intermediate School District		
Child Nutrition Cluster - U.S. Department of Agriculture -		
Passed through the Michigan Department of Education:		
NSLB (06/07)	10.553	061970/071970
NSLB (05/06)	10.553	051970/061970
NSLP (06/07)	10.555	061950/061960/071950/ 071960/071980
NSLP (05/06)	10.555	05/06-1950/1960/1980
Child Care Food Program	10.558	061920/062010
Food Distributions - Entitlement	10.550	25905
Total U.S. Department of Agriculture passed through the Michigan Department of Education		
Total federal awards		

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Approved Awards Amount	Accrued Revenue at June 30, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2007
\$ 1,774	\$ -	\$ -	\$ 1,774	\$ 1,774
1,223	1,226	1,224	-	2
700	-	-	700	700
<u>3,697</u>	<u>1,226</u>	<u>1,224</u>	<u>2,474</u>	<u>2,476</u>
224,835	48,897	126,877	110,528	32,548
40,870	-	38,239	40,870	2,631
30,759	1,017	1,017	-	-
194,799	-	183,100	194,799	11,699
151,188	5,981	5,981	-	-
873	873	873	-	-
13,649	-	315	315	-
<u>432,138</u>	<u>7,871</u>	<u>229,525</u>	<u>235,984</u>	<u>14,330</u>
<u>\$ 2,060,434</u>	<u>\$ 212,395</u>	<u>\$ 1,349,606</u>	<u>\$ 1,248,659</u>	<u>\$ 111,448</u>

International Academy of Flint, PSA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of International Academy of Flint, PSA and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133. Noncash assistance received for USDA food distribution is reported in the schedule of expenditures of federal awards on the fair market value of the commodities received and disbursed.

Note 4 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

<u>Program Title</u>	<u>Subrecipient</u>	<u>Expenditures</u>
84.287 21st Century Learning Center	Center Academy of Flint	\$ 79,981

Note 5 - Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

International Academy of Flint, PSA

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
84.287	21st Century Community Learning Center
84.010	Title I - Part A Regular

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

International Academy of Flint, PSA

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Academy Board
International Academy of Flint, PSA

We have audited the financial statements of the International Academy of Flint, PSA as of and for the year ended June 30, 2007 and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the International Academy of Flint, PSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 18, 2007